

Understanding Natural Gas Prices

Natural gas prices for both homeowners and businesses have fluctuated dramatically in recent years.

Recent data released by Illinois gas utilities and by the Illinois Commerce Commission indicated gas prices will remain higher than historical averages.

Many low and no-cost energy saving ideas are available from your local gas utility. Contact your utility for free information on energy conservation.



Understanding Natural Gas Prices



Consumer Services Division
1-800-524-0795
www.icc.illinois.gov

Understanding Natural Gas Prices

What are some of the factors affecting natural gas prices?

Weather and the availability of supply

- Declining wellhead deliverability: There has been a decline in production from existing wells and lower production from newly-drilled wells. Demand has increased while supply has generally remained flat.
- High price of alternative fuel: Oil prices are nearing all time highs. Industrial customers that are able to substitute natural gas for oil can drive up the demand for natural gas.
- Weather: Weather significantly impacts natural gas prices. A cold winter tends to increase demand and drives prices up. Hurricanes and tropical storms in the Gulf of Mexico impact production.
- Storage: A significant percentage of natural gas is stored underground for use in the winter. If storage levels are inadequate utilities may have to purchase gas at a higher price to meet customer demand.
- Natural gas-fired generation: In various regions across the country, the trend toward using natural gas to generate electricity is increasing the demand for natural gas.

Are natural gas prices expected to remain high?

Weather and market-related events have led to price volatility and higher than normal natural gas prices. Prices are expected to remain higher than historical averages.

Will there be enough natural gas to satisfy demand?

At the present time, the supply of natural gas is sufficient to satisfy the needs of Illinois consumers.

Do federal, state or local agencies control the price of natural gas?

No. In 1978, the Natural Gas Policy Act gradually removed the price controls over gas sold into interstate commerce. By 1985, all price controls were removed, leaving the price to be set by competitive market forces, as is the case with many other commodities consumed on a daily basis.

What charges on my gas bill are regulated?

The Illinois Commerce Commission (ICC) regulates the rate the utility charges for the **delivery** of gas to customers. These costs include a facilities charge and distribution charge.

- The customer charge recovers the cost of metering, meter reading, billing, and other administrative costs.
- The distribution charge covers the cost of delivering gas to customers. Based upon therms, the charge includes costs for labor, gas mains, and the gas transmission and distribution lines.

- The cost for natural gas paid by the utility is passed on to customers. While the ICC does not set the price your utility pays for natural gas, it does conduct an annual review of each utility's purchasing practices to ensure that the price paid for gas is prudent.



What can customers do to manage high bills during the heating season?

- Contact the utility about budget billing plans to even out monthly payments. Budget plans vary by company.
- Weatherize your home and practice energy conservation.
- Follow the energy saving tips in this brochure and contact your utility for gas use reduction ideas.

Are there programs to provide assistance in paying heating bills for low income customers?

- The Low Income Home Energy Assistance Program ("LIHEAP") provides limited financial assistance to qualifying customers. The energy hotline number is 1-800-252-8643.
- Some utilities have programs that provide assistance. To inquire about these programs, contact your gas utility.